

WELLS REAL ESTATE INVESTMENT TRUST INC

Form 424B3

August 28, 2003

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**FILED PURSUANT TO**

**RULE 424 (B) (3)**

**REGISTRATION NO:333-85848**

**WELLS REAL ESTATE INVESTMENT TRUST, INC.**

**SUPPLEMENT NO. 9 DATED AUGUST 27, 2003 TO THE PROSPECTUS**

**DATED JULY 26, 2002**

*This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, and Supplement No. 8 dated June 15, 2003. When we refer to the prospectus in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.*

The purpose of this supplement is to describe the following:

- (1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);
- (2) Settlement of the NASD enforcement action against Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, and Leo F. Wells, III, our president and chairman of our board of directors;
- (3) Revisions to the Management Executive Officers and Directors section of the prospectus to describe the addition of W. Wayne Woody as a newly appointed independent director and a member of our Audit Committee;
- (4) Revisions to the Management Compensation of Directors section of the prospectus;
- (5) Revisions to the Description of Real Estate Investments section of the prospectus to describe the following real property acquisitions;
  - (A) Acquisition of a six-story office building and a two-story office building in Reston, Virginia (IBM Reston Buildings);
  - (B) Acquisition of a three-story office building in Atlanta, Georgia (ISS Atlanta III Building);
  - (C) Acquisition of two four-story office buildings in Rockville, Maryland (Lockheed Martin Rockville Buildings);

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- (D) Acquisition of a 19-story office building in Atlanta, Georgia (Cingular Atlanta Building); and
- (E) Acquisition of an eight-story office building in Bridgewater, New Jersey (Aventis Northern NJ Building);
- (6) Revisions to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the prospectus to include information for the quarter ended June 30, 2003;
- (7) Changes to the Plan of Distribution Underwriting Compensation and Terms section of the prospectus to reflect an additional volume discount available for purchases of 500,000 or more shares;

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- (8) Description of committees of the board of directors;
- (9) Unaudited financial statements of the Wells REIT for the period ended June 30, 2003;
- (10) Statements of Revenues Over Certain Operating Expenses for the recently acquired Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building; and
- (11) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building.

**Status of the Offering**

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 15, 2003, we had received additional gross proceeds of approximately \$1.974 billion from the sale of approximately 197.4 million shares in our fourth public offering. Accordingly, as of August 15, 2003, we had received aggregate gross offering proceeds of approximately \$3.565 billion from the sale of approximately 3.565 million shares in all of our public offerings. After payment of approximately \$122.7 million in acquisition and advisory fees and acquisition expenses, payment of approximately \$389.0 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately \$59.4 million pursuant to our share redemption program, as of August 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately \$2.994 billion, out of which approximately \$2.955 billion had been invested in real estate properties, and approximately \$38.8 million remained available for investment in real estate properties.

*Redemptions of Common Stock under our Share Redemption Plan*

Our current share redemption plan allows for the redemption of approximately 4.37 million shares at an aggregate cost of \$43.7 million for the year ending December 31, 2003. From January 1, 2003 through August 15, 2003, we had redeemed approximately 3.85 million shares of common stock available for redemption for the year at an aggregate cost of approximately \$38.5 million. We anticipate that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will not be eligible for redemption on a first come, first served

basis until after January 1, 2004, subject to our board's ability to change or terminate our share redemption program at any time in its discretion.

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### **Settlement of NASD Enforcement Action**

As described in more detail in Supplement No. 8 dated June 15, 2003, in a letter dated June 6, 2003, Wells Investment Securities, our Dealer Manager, and Leo F. Wells, III, registered principal of Wells Investment Securities and our president and chairman of our board of directors, were informed that the NASD had made a determination to institute certain disciplinary proceedings against them. On August 26, 2003, Wells Investment Securities and Mr. Wells settled this contemplated NASD enforcement action against them by entering into a Letter of Acceptance, Waiver and Consent (AWC) with the NASD which contained findings by the NASD that Wells Investment Securities and Mr. Wells had violated certain of its Conduct Rules related to providing non-cash compensation of more than \$100 to associated persons of NASD member firms in connection with their attendance at the annual educational conferences sponsored by Wells Investment Securities in 2001 and 2002.

Without admitting or denying the allegations and findings against them, Wells Investment Securities and Mr. Wells consented in the AWC to various findings by the NASD which are summarized in the following paragraph:

In 2001 and 2002, Wells Investment Securities sponsored conferences attended by registered representatives who sold its real estate investment products. Wells Investment Securities also paid for certain expenses of guests of the registered representatives who attended the conferences. In 2001, Wells Investment Securities paid the costs of travel to the conference and meals for many of the guests, and paid the costs of playing golf for some of the registered representatives and their guests. Wells Investment Securities later invoiced registered representatives for the cost of golf and for travel expenses of guests, but was not fully reimbursed for such. In 2002, Wells Investment Securities paid for meals for the guests. Wells Investment Securities also conditioned most of the 2001 conference invitations on attainment by the registered representatives of a predetermined sales goal for Wells Investment Securities products. This conduct violated the prohibitions against payment and receipt of non-cash compensation in connection with the sales of these products contained in NASD's Conduct Rules 2710, 2810, and 3060. In addition, Wells Investment Securities and Mr. Wells failed to adhere to all of the terms of their written undertaking made in March 2001 not to engage in the conduct described above, and thereby engaged in conduct that was inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

Wells Investment Securities consented to a censure and Mr. Wells consented to suspension from acting in a principal capacity with an NASD member firm for one year. Wells Investment Securities and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of \$150,000. Although Mr. Wells is now prohibited from acting in a principal capacity with Wells Investment Securities and has, therefore, resigned from all relevant positions in that regard, he will continue to engage in selling efforts on behalf of Wells Investment Securities and other non-principal activities. Mr. Wells will also continue to serve as our president and chairman of our board of directors and as the president of both Wells Capital, Inc., our advisor, and Wells Management Company, Inc., our property manager.

### **Management**

#### *Executive Officers and Directors*

The following information should be read in conjunction with the Management Executive Officers and Directors section beginning on page 34 of the prospectus to include background information on W. Wayne Woody. On July 15, 2003, our board of directors unanimously approved an increase in the number of our directors from 10 to 11 and elected W. Wayne Woody as a new independent director to fill the vacancy. Mr. Woody was also appointed as a member of our Audit Committee. Of our 11 directors, nine are considered independent of Wells Capital, Inc. (Wells Capital), our advisor.



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**W. Wayne Woody** served as the Interim Chief Financial Officer for Legacy Investment Group, a boutique investment firm, from 2000 to 2001 where he was responsible for guiding the company through a transition in accounting and reporting.

From 1968 until his retirement in 1999, Mr. Woody was employed by KMPG LLP and its predecessor firms, Peat Marwick Mitchell & Co. and Peat Marwick Main. As a Senior Partner, he served in a number of key positions in the firm, including Securities and Exchange Commission Reviewing Partner and Partner-in-Charge of Professional Practice and Firm Risk Management for the southeastern United States and Puerto Rico. Mr. Woody was also a member of the Board of Directors of KMPG LLP from 1990 through 1994. Prior to joining KMPG, Mr. Woody was the Principal Budget Analyst for the State of Georgia Office of Planning and Budget where he reviewed, analyzed and presented the Governor's budget proposals to the state legislature.

Mr. Woody currently serves as Chairman of the Audit Committee for the City of Atlanta. He is also a director and the Chairman of the Audit Committee of the Metropolitan Atlanta Chapter of the American Red Cross. Mr. Woody is a member of the Board of Directors for the Metropolitan Atlanta Chapter of the American Heart Association. In addition, he is a trustee and the Chairman of the Finance Committee for the Georgia State University Foundation. Mr. Woody previously served a three-year term as Chairman of the Board of Trustees for the Georgia Center for the Visually Impaired.

Mr. Woody received a Bachelor of Science degree from Middle Tennessee State University and a Masters of Business Administration degree from Georgia State University. He is a Certified Public Accountant in the states of Georgia and North Carolina.

## ***Compensation of Directors***

The paragraph contained in the Management Compensation of Directors section of the prospectus on page 38 should be replaced by the following paragraph to reflect a change in the manner in which we compensate our independent directors:

We pay each of our independent directors an annual retainer of \$12,000, \$2,500 per regularly scheduled board meeting attended, \$1,500 per regularly scheduled committee meeting attended (committee chairpersons receive an additional \$500 per committee meeting for serving in that capacity) and \$250 per special board meeting attended whether held in person or by telephone conference. Members of our Audit Committee will receive \$2,500 per meeting attended for each of the four meetings necessary to review our quarterly and annual financial statements. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted to the independent directors pursuant to our Independent Director Stock Option Plan and 500,000 shares for future issuance upon the exercise of warrants to be granted to the independent directors pursuant to our Independent Director Warrant Plan. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director also is an officer of the Wells REIT, we do not pay separate compensation for services rendered as a director.

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### **Description of Properties**

As of August 20, 2003, we had purchased interests in 83 real estate properties located in 24 states. Below is a description of our recent real property acquisitions.

#### **IBM Reston Buildings**

On June 27, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a six-story office building and a two-story office building containing approximately 141,000 aggregate rentable square feet located on an approximately 4.56-acre tract of land at 11107 & 11109 Sunset Hills Road in Reston, Virginia (IBM Reston Buildings) for a purchase price of approximately \$28.6 million, plus closing costs. The IBM Reston Buildings were purchased from Sunset Hills, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc. (Advisor).

The IBM Reston Buildings, which were built in 1984 and 1985, respectively, are leased to International Business Machines Corporation (IBM) (approximately 71%) and Tellabs Reston, Inc. (Tellabs) (approximately 29%).

IBM, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), manufactures and sells computer services, hardware and software and is the most diversified provider of computer products and services in the United States. IBM reported a net worth, as of December 31, 2002, of approximately \$22.8 billion. The current annual base rent payable under the IBM lease, which expires in 2012, is approximately \$2.4 million. In addition, IBM has the right to terminate the IBM lease (1) in 2007 by paying an approximately \$2.3 million termination fee, or (2) in 2009 by paying an approximately \$1.1 million termination fee.

Tellabs is a wholly-owned subsidiary of Tellabs, Inc., a company whose shares are publicly traded on NASDAQ which designs, manufactures, markets and services optical networking, broadband access and voice-quality enhancement solutions. The current annual base rent payable under the Tellabs lease, which expires in 2011, is approximately \$1.2 million. In addition, Tellabs has obtained an approximately \$2.5 million letter of credit from Silicon Valley Bank to serve as additional security for payments under the lease.

#### **ISS Atlanta III Building**

On July 1, 2003, Wells OP purchased a three-story office building containing approximately 50,400 rentable square feet (ISS Atlanta III Building) located at 859 Mount Vernon Highway in Atlanta, Georgia for a purchase price of \$10.0 million, plus closing costs. The ISS Atlanta III Building was purchased from Spring Creek Partners, LLC, a Georgia limited liability company not in any way affiliated with the Wells REIT, Wells OP or our Advisor. The ISS Atlanta III Building is the third building in a three building complex. In 2002, Wells OP purchased two five-story office buildings containing approximately 238,600 aggregate rentable square feet which are immediately adjacent to the ISS Atlanta III Building.

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The entire rentable area of the ISS Atlanta III Building is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is guaranteed by the parent of ISS, Internet Security Systems, Inc., a Delaware corporation (ISS, Inc.), whose shares are traded on NASDAQ. ISS, Inc. provides computer security solutions to networks, servers and desktop computers for organizational customers, including corporate customers and governmental units. ISS, Inc. reported a net worth, as of December 31, 2002, of approximately \$464.6 million.



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The ISS Atlanta III lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) that expires in 2013. The current annual base rent payable under the ISS Atlanta III lease is approximately \$1.0 million. In addition, ISS has obtained a \$2.5 million letter of credit from Wachovia Bank, N.A. to serve as additional security for payments under the lease. ISS has the right to apply to the Development Authority of Fulton County (Development Authority) for tax abatement benefits in connection with the recent construction of the ISS Atlanta III Building, which, if successful, will result in Wells OP transferring fee simple title to the land and improvements to the Development Authority in connection with the issuance of Development Authority of Fulton County Taxable Revenue Bonds (Bonds) and retaining ownership of an interest in the ISS Atlanta III Building by taking back a ground lease on the land and improvements. Fee title interest to the land and improvements will be transferred back to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease. Pursuant to the ISS Atlanta III lease, ISS is required to pay all costs associated with the application for tax abatement benefits.

Since the ISS Atlanta III Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, ISS, Inc., is more relevant to investors than financial statements of the property acquired.

ISS, Inc. currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding ISS, Inc. is taken from its previously filed public reports:

	<b>For the Fiscal Year Ended</b>		
	<b>12/31/2002</b>	<b>12/31/2001</b>	<b>12/31/2000</b>
Consolidated Statements of Operations			
			<b>(in thousands)</b>
Revenues	\$ 243,285	\$ 223,559	\$ 194,975
Operating Income	\$ 8,023	\$ (24,158)	\$ 20,569
Net Income	\$ 1,779	\$ (15,458)	\$ 18,315
	<b>As of the Fiscal Year Ended</b>		
	<b>12/31/2002</b>	<b>12/31/2001</b>	<b>12/31/2000</b>
Consolidated Balance Sheet			
			<b>(in thousands)</b>
Total Assets	\$ 546,568	\$ 500,984	\$ 240,240
Stockholders Equity	\$ 464,556	\$ 426,935	\$ 188,389

For more detailed financial information regarding ISS, Inc., please refer to the financial statements of Internet Security Systems, Inc., which are publicly available with the SEC at <http://www.sec.gov>.

**Lockheed Martin Rockville Buildings**

On July 30, 2003, Wells OP purchased all of the membership interest in Meridian/Northwestern Shady Grove North, LLC (North), a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located

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on an approximately 8.91-acre tract of land at 9211 & 9221 Corporate Boulevard in Rockville, Maryland (Lockheed Martin Rockville Buildings) for a purchase price of approximately \$51.6 million, plus closing costs. The Lockheed Martin Rockville Buildings were purchased from Meridian/Northwestern Shady Grove Holdings, LLC (Holdings), a Delaware limited liability company which owned the entire membership interest in North. Neither North nor Holdings is in any way affiliated with the Wells REIT, Wells OP or our Advisor.

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The entire rentable square feet of the Lockheed Martin Rockville Buildings are leased under two separate lease agreements to Lockheed Martin Corporation (Lockheed Martin). Lockheed Martin, a company whose shares are publicly traded on the NYSE, is a technology company formed in March of 1995 with the merger of two other technology companies, Lockheed Corporation and Martin Marietta Corporation. Lockheed Martin is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. Lockheed Martin reported a net worth, as of December 31, 2002, of approximately \$5.9 billion. The current aggregate annual base rent payable under the Lockheed Martin leases, which expire in 2009, is approximately \$4.7 million.

### **Cingular Atlanta Building**

On August 1, 2003, Wells OP purchased a 19-story office building containing approximately 413,000 aggregate rentable square feet located on an approximately 5.2-acre tract of land at 5565 Glenridge Connector, N.E. in Atlanta, Georgia (Cingular Atlanta Building) for a purchase price of approximately \$83.9 million, plus closing costs. The Cingular Atlanta Building was purchased from Teachers Insurance and Annuity Association of America, a New York corporation not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Cingular Atlanta Building, which was built in 2000, is primarily leased to Cingular Wireless, LLC (Cingular) (approximately 76%). Approximately 21% of the Cingular Atlanta Building is leased to four additional tenants, and approximately 3% of the Cingular Atlanta Building is currently vacant.

Cingular is a joint venture between the domestic wireless divisions of SBC Communications, Inc. and BellSouth Corporation. Cingular serves more than 22 million voice and data customers across the United States, provides cellular/PCS service in 43 of the top 50 markets nationwide, and provides corporate e-mail and other advanced data services. Cingular reported a net worth, as of December 31, 2002, of approximately \$7.5 billion.

The current annual base rent payable under the Cingular lease, which expires in 2010, is approximately \$8.9 million. Cingular has the right to terminate the Cingular lease in 2008 by paying a termination fee equal to all unamortized tenant improvement allowances and leasing commissions incurred by the landlord in connection with the Cingular lease, which is currently estimated to be approximately \$2.7 million. The Cingular lease prohibits Wells OP from leasing any space in the Cingular Atlanta Building to another tenant in the telecommunications business.

The current aggregate annual base rent for the remaining four tenants is approximately \$2.0 million.

### **Aventis Northern NJ Building**

On August 14, 2003, Wells Bridgewater I, LLC (Wells Bridgewater), a Georgia limited liability company wholly-owned by Wells OP, purchased an eight-story office building containing approximately 297,000 rentable square feet located on an approximately 10.47 acre tract of land at 200 Crossing Boulevard in Bridgewater, New Jersey (Aventis Northern NJ Building) for a purchase price of \$96.3 million, plus closing costs, from PGC Bridgewater, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP, Wells Bridgewater or our Advisor.

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The entire Aventis Northern NJ Building is leased to Aventis, Inc. (Aventis), the U.S. pharmaceuticals division and a subsidiary of Aventis SA, a French company whose shares are publicly traded on the NYSE. Aventis Pharma AG, an affiliate of Aventis and a subsidiary of Aventis SA is a guarantor of the Aventis lease. Aventis develops pharmaceutical products in areas such as oncology, cardiology, diabetes, respiratory/allergy and anti-infectives. The current annual net base rent payable under the Aventis lease, which expires in 2012, is approximately \$7.3 million.

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### **Property Management**

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our Advisor, will manage the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building on behalf of Wells OP. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building, subject to certain limitations. Hines Interests Limited Partnership (Hines) is the current on-site property manager of the Aventis Northern NJ Building and Wells OP anticipates entering into a new management agreement with Hines to continue to serve as the on-site property manager. The property management fees payable to Hines will be paid out of or credited against the fees payable to Wells Management. Hines is not in any way affiliated with the Wells REIT, Wells OP, Wells Bridgewater or our Advisor.

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section contained in Supplement No. 6 dated April 14, 2003 and Supplement No. 7 dated May 15, 2003 and should also be read in conjunction with our accompanying financial statements and notes thereto.

### **Forward Looking Statements**

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

### **REIT Qualification**

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

### **Liquidity and Capital Resources**

During the six months ended June 30, 2003, we received aggregate gross offering proceeds of \$1.04 billion from the sale of 104.4 million shares of our common stock. After incurring costs of \$35.5 million in acquisition and advisory fees and acquisition expenses, \$108.9 million in selling commissions

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and organization and offering expenses and common stock redemptions of \$31.0 million pursuant to our share redemption program, we raised net offering proceeds of \$868.9 million during the six months ended June 30, 2003.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first half of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we had approximately \$44.0 million available for investment in real estate assets as of June 30, 2003.

As of June 30, 2003, we owned interests in 79 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties that meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of \$100 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of \$100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders.

Dividends paid during the six months ended June 30, 2003 were \$87.6 million compared to \$40.9 million during the six months ended June 30, 2002. For each \$10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through June 15, 2003, at an annualized percentage rate of return of 7.0%, compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through June 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period June 16, 2003, through September 15, 2003, at an annualized percentage rate of return of 7.0%. Third quarter dividends are calculated on a daily record basis of \$0.001902 (0.1902 cents) per day per share on the outstanding shares of our common stock payable to stockholders of record as shown on our books at the close of business on each day during the period commencing on June 16, 2003, and continuing on each day thereafter through and including September 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.





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### **Cash Flows From Operating Activities**

Our net cash provided by operating activities was \$88.5 million and \$33.1 million for the six months ended June 30, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by \$1.4 billion of additional properties acquired during 2002 and an additional \$871.9 million of real estate assets acquired and \$76.8 million in build-to-suit projects completed during the six months ended June 30, 2003. We do not recognize in income the full effect from the properties during the year of acquisition, as the operations of the properties are only included in income from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the six months ended June 30, 2003.

### **Cash Flows Used In Investing Activities**

Our net cash used in investing activities was \$829.6 million and \$278.4 million for the six months ended June 30, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate assets, lease acquisitions and intangible lease assets and payment of acquisition and advisory costs totaled \$833.6 million and \$281.9 million for the six months ended June 30, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of \$4.0 million and \$3.5 million during the six months ended June 30, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to additional investment in joint ventures during the fourth quarter of 2002.

### **Cash Flows From Financing Activities**

Our net cash provided by financing activities was \$754.7 million and \$511.6 million for the six months ended June 30, 2003 and 2002, respectively. Capital fund raising increased to \$1.04 billion during the six months ended June 30, 2003, as compared to \$618.3 million during the six months ended June 30, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling \$114.8 million and \$65.8 million and redemptions of \$31.0 million and \$6.7 million during the six months ended June 30, 2003 and 2002, respectively.

Additionally, we obtained funds from financing arrangements totaling \$549.3 million and \$7.5 million and made repayments of borrowings of \$601.1 million and \$0 during the six months ended June 30, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during the period. Related to the acquisition of new financing facilities we incurred deferred financing costs of \$4.4 million and \$0.9 million during the six months ended June 30, 2003 and 2002. Primarily as a result of the increased cash flow from operations, during the six months ended June 30, 2003 and 2002, we paid dividends of \$87.6 million and \$40.9 million, respectively.

### **Results of Operations**

As of June 30, 2003, our 79 real estate properties were approximately 97% leased. Our results of operations have changed significantly for the three and six months ended June 30, 2003, as compared to the three and six months ended June 30, 2002, generally as result of the acquisition of approximately \$1.4 billion of real estate assets during the year ended December 31, 2002, and an additional \$871.9 million of real estate assets acquired and \$76.8 million in build-to-suit projects completed during the six months ended June 30, 2003. We expect that rental income, tenant reimbursements, depreciation expense,



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operating expenses, asset and property management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the six months ended June 30, 2003, for an entire period and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

*Three months ended June 30, 2003 vs. three months ended June 30, 2002*

Rental income increased by \$47.1 million, during the second quarter of 2003, from \$21.8 million for the three months ended June 30, 2002, to \$69.0 million for the three months ended June 30, 2003. Tenant reimbursements were \$16.5 million and \$4.8 million for the three months ended June 30, 2003 and 2002, respectively, for an increase of \$11.7 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to March 31, 2002, which totaled \$49.5 million and \$12.1 million, respectively, for the three months ended June 30, 2003 and \$2.4 million and \$1.1 million for the three months ended June 30, 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was \$1.1 million and \$1.3 million for the three months ended June 30, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the three months ended June 30, 2003 and 2002, was \$25.1 million and \$7.2 million, respectively comprising approximately 36% and 33% of rental income for the respective three month periods. The change in the percentages between periods is generally due to a change in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after March 31, 2002, was \$18.4 million and \$0.9 million for the three months ended June 30, 2003 and June 30, 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were \$25.8 million and \$6.2 million for the three months ended June 30, 2003 and 2002, respectively, representing 30% and 23% of the sum of the rental income and tenant reimbursements for each respective three month period. The increase of property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to the recent acquisition of certain full service properties that have a higher ratio of property operating costs to revenues. Property operating costs for the properties acquired subsequent to March 31, 2002 were \$19.7 million and \$1.1 million for the three months ended June 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were \$3.2 million and \$1.0 million for the three months ended June 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Asset and property management fees for properties acquired after March 31, 2002, were \$1.9 million and \$0.1 million for the three months ended June 30, 2003 and 2002, respectively. Asset and property management fees are expected to increase as additional properties are acquired but, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

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General and administrative expenses increased from \$0.6 million for the three months ended June 30, 2002, to \$0.9 million for the three months ended June 30, 2003, representing approximately 2% and 1% of the total revenues for each respective three month period. The decrease from the prior period is primarily due to greater efficiencies resulting from economies of scale. General and administrative expenses are expected to increase in future periods as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was \$4.8 million and \$0.7 million for the three months ended June 30, 2003 and 2002, respectively. Interest expense of \$1.0 and \$0.4 million for the three months ended June 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining \$3.8 million and \$0.3 million is due to the interest on our outstanding borrowings and amortization of deferred financing costs for each period. We had significantly more borrowings outstanding during the three months ended June 30, 2003, as compared to the three months ended June 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending June 30, 2003, we wrote-off approximately \$0.5 million of deferred financing costs associated with the Bank of America \$110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended June 30, 2003, decreased to \$0.10 per share compared to \$0.11 per share for the three months ended June 30, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets relative to returns on those investments.

### *Six months ended June 30, 2003 vs. six months ended June 30, 2002*

Rental income increased by \$83.7 million, during the first half of 2003, from \$38.6 million for the six months ended June 30, 2002, to \$122.3 million for the six months ended June 30, 2003. Tenant reimbursements were \$26.1 million and \$9.2 million for the six months ended June 30, 2003 and 2002, respectively, for an increase of \$16.9 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to December 31, 2001, which totaled \$89.3 million \$17.9 million, respectively, for the six months ended June 30, 2003, and \$6.0 million and \$1.3 million for the first half of 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was \$2.4 million and \$2.5 million for the six months ended June 30, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the six months ended June 30, 2003 and 2002, was \$44.3 million and \$12.9 million, respectively comprising approximately 36% and 33% of rental income for the respective six month periods. The increase in the percentages between periods is generally due to an increase in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after December 31, 2001, was \$33.1 million and \$2.3 million for the six months ended June 30, 2003 and 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

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Property operating costs were \$41.0 million and \$11.2 million for the six months ended June 30, 2003 and 2002, respectively, representing approximately 28% and 24% of the sum of the rental income and tenant reimbursements for each respective six month period. The increase in the property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to operating costs of the recently acquired full service properties as a percentage of revenues. Property operating costs for the properties acquired subsequent to December 31, 2001, were \$30.1 million and \$1.7 million for the six months ended June 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Management and leasing fees expenses were \$5.5 million and \$1.9 million for the six months ended June 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each six month period. Management and leasing fees for properties acquired after June 30, 2002, were \$3.5 million and \$0.2 million for the six months ended June 30, 2003 and 2002, respectively. Management and leasing fees are expected to increase as additional properties are acquired; however, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from \$1.1 million for the six months ended June 30, 2002, to \$2.5 million for the six months ended June 30, 2003, representing approximately 2% of the total revenues for each respective six month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was \$7.4 million and \$1.3 million for the six months ended June 30, 2003 and 2002, respectively. Interest expense of \$1.9 and \$0.9 million for the six months ended June 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining \$5.5 million and \$0.4 million, respectively, is due to the interest on our outstanding borrowings for each period and amortization of deferred finance costs. We had significantly more borrowings outstanding during the six months ended June 30, 2003, as compared to the six months ended June 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending June 30, 2003, we wrote-off approximately \$0.5 million of deferred costs associated with the Bank of America \$110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the six months ended June 30, 2003, decreased to \$0.20 per share compared to \$0.22 per share for the six months ended June 30, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets relative to returns on those investments resulting in lower returns.

## **Funds From Operations**

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT.



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However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three and six month periods ended June 30, 2003 and 2002:

	For the three months ended June 30,		For the six months ended June 30,	
	2003	2002	2003	2002
<b>FUNDS FROM OPERATIONS:</b>				
Net income	\$ 27,985	\$ 13,756	\$ 52,349	\$ 24,536
Add:				
Depreciation of real estate assets	25,060	7,159	44,278	12,903
Amortization of deferred leasing costs	271	78	349	151
Depreciation & amortization unconsolidated investments in joint assets	779	701	1,565	1,407
Funds from Operations (FFO)	\$ 54,095	\$ 21,694	\$ 98,541	\$ 38,997
<b>WEIGHTED AVERAGE SHARES</b>				
<b>BASIC AND DILUTED</b>	283,903	126,038	258,575	110,886

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of \$4.3 million and \$2.1 million during the three months ended June 30, 2003 and 2002, respectively. For the six months ended June 30, 2003 and 2002, we recognized straight line rental revenue of \$5.1 million and \$3.2 million, respectively.

Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of \$0.6 million and \$1.1 million, respectively for the three and six months periods ended June 30, 2003.

**Inflation**

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

**Application of Critical Accounting Policies**

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize



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different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our Audit Committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

### ***Investment in Real Estate Assets***

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

### ***Valuation of Real Estate Assets***

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at June 30, 2003.

Projections of expected future cash flows requires us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income.

*Intangible Lease Asset/Liability*

We determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate assets. The intangible assets and liabilities are

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recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

## **Commitments and Contingencies**

### ***Take Out Purchase and Escrow Agreement***

Wells Management Company has developed a program (Wells Section 1031 Program) involving the acquisition by a subsidiary of Wells Management Company (Wells Exchange) of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to us and following approval of the potential property acquisition by our board of directors, it is anticipated that we will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, we will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

See Note 7 to our consolidated financial statements included in this supplement for discussion of this potential obligation.

### ***Letters of Credit***

At June 30, 2003, we had three unused letters of credit as required by other parties to ensure completion of our obligations under certain contracts. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the letters of credit.

### ***Commitments Under Existing Lease Agreements***

We entered into lease agreements with tenants that may include provisions that, at the option of the tenant, may require us to incur certain capital costs. See Note 7 to our consolidated financial statements included in this supplement for further discussion of these potential obligations.

***Earn-out Agreements***

We entered into certain purchase agreements containing various earn-out clauses that may result in Wells REIT being obligated to pay additional amounts to the seller of a property. See Note 7 to our consolidated financial statements included in this supplement for a more detailed discussion of these potential obligations.

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### ***Leasehold Property Obligations***

We own certain properties that are subject to ground leases and require us to pay rent in future years. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the lease terms and required payments.

### ***Pending Litigation***

We have certain pending litigation related to a dispute over the right to an approximately \$0.8 million escrow deposit for a property that was not acquired. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the litigation.

### ***NASD Enforcement Action***

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, Inc., our Dealer Manager, and Leo F. Wells, III, our president and a director, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules. Please see the Settlement of NASD Enforcement Action section of this supplement for a discussion of the settlement with the NASD.

### **Related Party Transactions and Agreements**

We have entered into agreements with our Advisor and its affiliates, whereby we pay certain fees or reimbursements to our Advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this supplement for a discussion of the various related party transactions, agreements and fees.

### **Conflicts of Interest**

Our Advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where our Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

### **Subsequent Events**

### **Sale of Shares of Common Stock**

From July 1, 2003 through August 15, 2003, Wells REIT has raised approximately \$342.4 million through the issuance of approximately 34.2 million shares of common stock of Wells REIT. At August 15, 2003 approximately 111.1 million shares remain available under the current offering of Wells REIT's stock, excluding shares available under our dividend reinvestment plan.

**Redemptions of Common Stock under our Share Redemption Plan**

Our current share redemption plan allows for the redemption of approximately 4.37 million shares at an aggregate cost of \$43.7 million for the year ending December 31, 2003. From January 1, 2003 through August 15, 2003, we had redeemed approximately 3.85 million shares of common stock available for redemption for the year at an aggregate cost of approximately \$38.5 million. We anticipate that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will not be eligible for redemption on a first come, first served

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basis until after January 1, 2004, subject to our board's ability to change or terminate our share redemption program at any time in its discretion.

### **Property Acquisitions**

#### ***ISS Atlanta III***

On July 1, 2003, Wells REIT purchased the third Internet Security Systems (ISS) Building, a five-story building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately \$10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

#### ***Lockheed Martin Rockville***

On July 30, 2003, Wells REIT purchased all the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately \$51.6 million. The buildings are 100% leased to Lockheed Martin.

#### ***Cingular Atlanta***

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story building containing approximately 413,000 rentable square feet located in Atlanta, Georgia, for a purchase price of \$83.9 million. The building is 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases 76% of the building.

#### ***Aventis Northern NJ Building***

On August 14, 2003, Wells Bridgewater purchased an eight-story office building containing approximately 297,000 rentable square feet located in Bridgewater, New Jersey for a purchase price of \$96.3 million. The building is 100% leased to Aventis, Inc.

### **Underwriting Compensation and Terms**

Notwithstanding the volume discount table contained in the first paragraph on page 148 in the Plan of Distribution Underwriting Compensat